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DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE SECOND PART OF ITS THIRTY-SEVENTH SESSION

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from 11 to .. March 1991

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Chapter I

GENERAL STATEMENTS

23. The spokesman for the Group of 77 (Jordan) observed that the formidable development challenges of the 1990s went to the root of survival of a vast part of humanity. Underdevelopment, poverty, environmental degradation and economic stagnation could only be overcome if the efforts of the developing countries were adequately supported by the international community in an interdependence of mutual benefits and interests. To restore development by overcoming the current economic stagnation in a rapidly changing world economy was the ultimate challenge that demanded imaginative and vigorous responses, which could only be international and based on multilateral co-operative solutions that carried with them the political good will of the whole international community.

24. The events of the last decade had pointed to the degree of change that economies and countries had undergone and at the same time the degree of interdependence in the total sum of the international community's social, economic and political endeavours.

25. Whether countries were producers or consumers, their goals and ambitions set the stage for their success or failure and for that they were in need of new direction, and a new vision that was truly universal. Limited and regionalized objectives were laudable but were not an end in themselves and certainly no substitute for a truly international and multilateral solution in which the welfare of all was taken into account.

26. The importance which his Group attached to UNCTAD VIII could not be understated. It came at an opportune time as a forum in which to seek appropriate responses to the challenges of the new decade and to assess the opportunities posed by the new developments, trends and perceptions in international economic co-operation. The developing countries expected the Conference to elaborate the measures and guidelines for national and international policies and actions conducive to sustained and sustainable development.

27. UNCTAD VIII represented the closest opportunity at hand for evolving an equitable, rational and effective management of the global economy, so as to enable developing countries to participate effectively and equitably in the emerging competitive structures of the 1990s and to seek a better and more efficient division of labour through the needed reforms in the trading and financial systems.

28. New ideas were the only forward motion in accommodating to the changes that were impacting on nations and there was a dire need to know which direction to seek. The current events and outlook impelled States to seek the common ground that the Conference could provide. The time for it was sooner rather than later. Countries needed the Conference in order to refocus their objectives on multilateral action and international co-operation. His Group was convinced that UNCTAD VIII would provide the appropriate policy responses. The Group of 77 has been actively engaged in a major exercise of deliberations, debates and analyses, and had made substantive progress in its preparations for UNCTAD VIII.

29. The representative of China observed that the world economy and trade were characterized by many unstable factors. Since the fourth quarter of 1990, the United States and some other developed countries had entered economic recession. This would also adversely affect the economic growth and development of developing countries. The Gulf War had brought about losses to the economy and trade of the developing countries. The Uruguay Round had come to a dilemma and it remained uncertain whether the negotiations could get out of it in the near future. The developing trend of regional blocs and its impact on world economy was unpredictable.

30. Trade protectionisms constituted one of the major factors underlying the difficulties faced by developing countries. More serious was that more and more trade protectionist measures were directed at a large number of developing countries. Protectionism in the trade of agricultural products was the result of contention for world agricultural products market among major developed countries. For many developing countries, textile products were the most important manufactured goods for export. Nevertheless, the export of textile products had been subjected to the most strongest restrictions by the developed countries. A noteworthy trend in recent years was that, while many developing countries were gradually taking a series of measures to open their markets, thus contributing to the liberalization of world trade, trade protectionist measures adopted by the developed countries had been on the rise instead of being decreased.

31. China was concerned that the progress of the Uruguay Round was very much imbalanced. The negotiations on market access which was of particular concern to developing countries had developed with dissatisfaction, while the negotiations on the new issues, which were of particular concern to the

developed countries, had gone beyond the objectives as set in the Ministerial Declaration. As a result, the interests of the developing countries were faced with a serious threat. China had made great efforts, together with other developing countries, for the realization of the objectives set in the Ministerial Declaration. However, the efforts made by the developing countries had not received corresponding response from the developed countries.

32. Regional blocs, unilateral actions and bilateral agreements had been seriously eroding the multilateral trading system of the GATT. The vast majority of developing countries were excluded from regional blocs and were subject to increasingly severe trade discrimination. Confrontation among trade blocs should be avoided. UNCTAD should carry out in-depth study of the trend of regional economic integration and its possible effect on the economy and trade of the developing countries.

33. The Chinese Government attached great importance to the preparatory work for UNCTAD VIII and sincerely hoped that UNCTAD VIII would provide a good opportunity to promoting the North-South dialogue.

34. UN-PAAERD had had a positive effect on helping African countries in easing their debt burden, in improving their exports, and in developing their agriculture and industry. However, due to the fact that the implementation of the Programme of Action was not entirely satisfactory and due to the fragility of the African economy, the deterioration of the external economic environment and frequent natural disasters, the African economy was still faced with serious difficulties. China hoped that the international community would continue to render assistance to the African countries after the expiration of the Programme of Action.

35. His delegation believed that once the SNPA for the 1990s was fully implemented, it would have positive effect on the economic development of the LDCs. Lessons learned in the implementation of the Programme of Action for the 1980s should be borne in mind. His delegation hoped that UNCTAD would make a greater contribution in promoting the implementation of the Programme of Action and play an active role in co-ordinating all relevant activities within the United Nations system in this connection.

36. In 1991, China was to start the implementation of the Eighth Five-Year Plan and Ten-Year Programme for its national economic and social development. One of its basic guiding principles was to adhere to its current policies of reform and opening to the outside world. In this decade, China would establish a new system of a planned commodity economy and a set of economic mechanisms

combining the planned economy with market adjustment. At the beginning of the current year, the Chinese Government had made a decision to further carry out reform in its foreign trade structure. The implementation of this decision meant that foreign trade enterprises would exercise automatic management, shoulder their own profits and losses and compete among one another on an equal footing. This would not only help to streamline China's foreign trade system, but would also contribute to the liberalization of world trade.

37. The spokesman for Group B (Greece) observed that since the first part of the session the international scene had been fraught with important developments in particular the cumulative impact of four major international developments, namely: the Gulf War; the Uruguay Round negotiations; the efforts of Central and Eastern European countries to introduce market-oriented economies and undertake political reforms; and signs of a generally perceived relative weakening of economic activity, in some major countries of the world.

38. The Gulf War had brought into evidence the sensitivity of the international economy in situations of major crises, while at the same time the vulnerability of many developing countries became evident.

39. After a period of uncertainty that followed the Brussels Ministerial Meeting negotiations in the Uruguay Round were proceeding again and participants were looking forward to a positive outcome as soon as possible. A successful conclusion would encourage the further integration of developing countries into the multilateral trading system and would provide a stimulus to world trade and a basis for sustainable growth and structural change until the end of the century and beyond.

40. Group B welcomed developments in Central and Eastern European countries and would continue economic co-operation with them and consolidation of their democratic achievements, but reaffirmed that its support for them would not be at the expense of Group B's commitment to the development of the developing countries.

41. During the 1980s, world economic growth had proceeded for the longest continuous period since the end of World War II, slowing somewhat to an average of 2.8 per cent for 1990. While trade had expanded at a healthy rate of 6 per cent during 1990, within the developing world, fundamental differences in economic performance and policies had gradually emerged. One important factor to bridge the gap would be increased South-South trade.

42. In the developing and the Central and Eastern European countries the situation had been harder, due to the many years of inefficient economic management. Looking ahead, there were positive signs as the Gulf War had ended a successful outcome of the Uruguay Round seemed within reach.

43. Environment had assumed major importance for the whole world and most sectors of economic activity were, directly or indirectly, linked with it. It was only for UNCTAD to focus on research and activities related to the environmental aspects of trade and development. Sustainability should be the objective of every country in its development efforts and the useful deliberations of the recent Oslo Seminar should be taken into account.

44. One of the recent subjects of discussion in UNCTAD was that of good management, a relatively new item, regarding which considerable efforts were being made to clarify its different aspects. The recent Caracas seminar was a useful initiative of the UNCTAD secretariat which allowed the issue of good governance to be addressed. On a related subject the South Commission Report mentioned the needs for "a more open discussion of the extent of corruption and its detrimental effects on development and society".

45. Group B considered the issue of major significance in order to enhance national policies in using the available resources effectively, and it should be kept under review in preparation for UNCTAD VIII.

46. Notwithstanding continuous and strenuous efforts by many African Governments, the overall African economic situation was weak. The impact of the Gulf War had undoubtedly had adverse effects on most African economies. Members of Group B reaffirmed their commitment to supporting African nations, so that they were enabled to implement the necessary reforms in conformity with their commitments under UNPAAERD.

47. Reiterating Group B's satisfaction with the successful outcome of the Paris Conference he said that it led to an agreement on strengthened partnership based on mutual commitments but an assessment or review of the implementation of the Programme of Action of this Conference during the current session seemed somewhat premature.

48. Group B approached the current session with open mind and willingness to co-operate constructively with all parties for a positive outcome, particularly as Governments moved towards UNCTAD VIII, a major economic meeting which could give new impetus to solidarity and partnership between the developed and the developing countries.

49. The representative of the Union of Soviet Socialist Republics said that UNCTAD VIII should be the main event in the field of global economic co-operation in 1991, and it was therefore a matter of serious concern that the venue and dates for the Conference had not been settled. Negotiations on the draft final document of UNCTAD VIII should begin as soon as possible, within the framework of ad hoc negotiating groups and brief special sessions of the Board, as necessary. UNCTAD should continue to serve as the main subsidiary body of the General Assembly in the field of trade and development, and in particular it should play a key role in the implementation and review of the International Development Strategy for the 1990s. An item on UNCTAD's contribution to the Strategy should be included in the agenda for regular sessions of the Board. The final document of UNCTAD VIII should be drafted taking due account of aims and provisions of the Strategy.

50. With regard to countries undergoing transition towards a market economy, he confirmed that the USSR was formally pursuing its goal of converting to an economic system based on the extensive use of market relations and becoming an integral part of the world economy. In adjusting its work on Eastern European countries, UNCTAD as a universal organization and its secretariat should preserve the relevant co-ordinating and analytical structures, at least for a transitional period, and thus should be reflected in the 1992-1993 work programme. Indeed, some of these structures should be enhanced through the recruitment of new exports able to work from primary sources.

51. On the question of protectionism, his country was concerned by the continuing use of protectionist measures, including quantitative restrictions, and the trend towards the increase of use of non-tariff measures. It was therefore hoped that the Uruguay Round of MTNs would quickly reach a successful conclusion, and UNCTAD should examine the possible consequences of the outcome of the Round for world trade.

52. Some developing countries feared that the changes in East-West trade relations could take place at their expense. However, these changes would open up new opportunities for mutually advantageous economic activity and would enhance world economic relations, and that was in the interests of developing countries. In addition, his country's new tariff legislation, to be adopted in 1991, envisaged favourable conditions for goods imported from developing countries under the generalized system of preferences. The liberalization measures taken by Western countries in relation to

their trade with certain Eastern European countries had barely affected the Soviet Union, and progress was slow. In particular, the agreement reached with the United States on most-favoured-nation treatment had not yet entered into force.

53. With regard to structural adjustment, the issue of converting military sectors of the economy could be discussed, in its trade-policy and foreign-trade dimensions, within the context of the Board's regular consideration of interdependence.

54. Concerning Africa, although many of the goals of UN-PAAERD had not been attained, the Programme had played a positive role in terms of mobilizing efforts. With regard to the LDCs, the outcome of the Paris Conference, as reinforced by the Declaration adopted at the eighteenth special session of the General Assembly, provided a good basis for the harmonization of the internal and external conditions of development of LDCs.

55. His country favoured the idea of a comprehensive world market and recognized that it bore a share of the responsibility for ensuring that all parts of the world economy worked in a normal fashion. In that connection, assisting developing countries according to its possibilities remained an important element of the Soviet Union's foreign and economic policy.

56. The representative of Australia said that it was fortunate that the stalemate in the Uruguay Round was over and that negotiations were now back on track. The success or failure of the Uruguay Round was of vital importance, especially to developing countries and to small- and medium-sized economies. The experience of Brussels proved that the negotiations could not be concluded before there was a credible package of results in all areas.

57. Australia had taken an active role in the Round and was seeking comprehensive and balanced results which would build a coherent GATT framework strengthening existing rules and ensuring that GATT continued to be effective in the traditional areas of market access. As the "engine of world growth" for the last four decades, international trade required the stability and predictability of an effective framework of internationally respected rules and a demonstrated and continuing commitment to liberalization.

58. The enhancement of domestic economic management was fundamental to increased trade competitiveness. Australian structural adjustment policies in recent years had been directed primarily towards the internationalization of the Australian economy. Australia's twin objectives were to reduce or eliminate those structural distortions in the economy which constrained

efficiency and productivity, and to encourage the development of a more diversified and export-oriented economy. To achieve these objectives Australia had undertaken a wide range of micro-economic reforms.

59. An increasing number of countries, particularly in Central and Eastern Europe and in Latin America, were also witnessing major economic reforms and programmes of structural adjustment. It was important that this progress be consolidated through concurrent advances in the multilateral trading system, in particular through reforms under negotiation in the Uruguay Round.

60. He reaffirmed his Government's continuing commitment to reducing levels of assistance to industry and to encouraging structural adjustment. His Government had just announced a further series of market opening measures to improve Australia's economic competitiveness, including further reductions in the general level of assistance to the manufacturing sector from 10 per cent and 15 per cent rates in 1992 to a general rate of 5 per cent by 1996. Further reductions would also take place in the sensitive sectors of passenger motor vehicles and textiles, clothing and footwear.

61. By the end of the decade, the average nominal rate of industry assistance in Australia would be down to 3 per cent. Such dramatic reductions in general rates of protection must also take account of developments in the relative competitive positions of suppliers. Accordingly, preferential tariff rates for Singapore, Taiwan, Province of China, Hong Kong and Republic of Korea would be frozen and preference margins progressively phased out as the general rates moved down. All these difficult decisions had been essential to promote a more open market in Australia and make Australia a more competitive supplier in the international market.

62. Successive decisions to reduce protection had signalled Australia's commitment to trade liberalization. His Government's determination in this regard contrasted sharply with the continuing reluctance of some major economies to give more impetus to the process of structural adjustment in sensitive sectors.

63. Referring to item 5, he said Australia had welcomed the Conference on the LDCs, which provided the first opportunity to translate the outcome of the special session on the revitalization of growth and development into a practical programme of action for those countries which had particular development problems.

64. His Government intended to seek greater recognition of the specific problems confronting small island States whose development potential was severely hampered by geographic constraints.

65. As to item 4, Australia was deeply concerned by the persistence of the critical economic situation in Africa and welcomed UN-PAAERD as an important initiative. Trade barriers to products of export interest to African countries were significant and had increased in the past 20 years. They now constituted a major disincentive to economic reform and diversification in Africa. The report of the Secretary-General's Expert Group on Commodity problems provided valuable recommendations for consideration by African Governments and the international community in increasing market access for products of interest to African countries.

66. Given that African Governments operated within extremely tight budget constraints, Australia strongly supported the Expert Group's recommendation that the UNDP co-ordinate the development of a commodity sector strategy and policy package.